

EXHIBIT X

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Drug Store News

May 1, 1989

SECTION: Pg. p195(1) Vol. V11 No. N9 ISSN: 0191-7587

ACC-NO: 7676745

LENGTH: 574 words

HEADLINE: AWP's are a joke, but no one is laughing.;
average wholesale price used for third-party reimbursements;
Pharmacy;
column

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BODY:

AWP's are a joke, but no one is laughing

The inevitable has happened. Pharmacy's sacred AWP has been violated. . . maybe raped is a better word. And all of a sudden the battle cry on the retail pharmacy front has become "Save the AWP!"

Forget it. With that kind of approach, pharmacists are sure to lose the war against diminishing third-party reimbursements. Instead, I think the battle cry should be, "Let's get rid of the AWP!"

Lately, several third-party processors are taking it on the chin for landing contracts by "discounting" the AWP. While I'm not writing this column to defend their actions, I think it's important to stand back for a moment to see the forest instead of just looking at the trees. The AWP is only one factor of the third-party reimbursement equation. And, if you ask me, it's the weakest one, and the one most vulnerable to attack.

At one time the AWP may have served a useful purpose. For instance, in 1960 B.T. (before third-party), the AWP helped pharmacists determine a fair price for a prescription. The AWP represented a truer evaluation of manufacturer's costs (even though, to tell you the truth, I don't think it was ever 100 percent pure). Today, it's nothing more than a pawn in the third-party reimbursement game. Essentially the AWP has become a throwaway piece that is sacrificed to get pharmacists' profits checkmated.

In my opinion, the term AWP was a misnomer right out of the gate. As we all know, AWP stands for Average Wholesale Price. Presumably, it stood for (and still stands for) the average price that manufacturers charge to retailers for their product. Most of the time that just isn't true.

In many instances, AWP actually stands for the highest price at which manufacturers sell their product. If, in fact, a true AWP was assigned to a product, taking into consideration all the various pricing schedules available from drug

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manufacturers, the AWP would be a much lower number than is normally used.

Now, of course, the AWP is being manipulated by many pharmaceutical manufacturers, both generic and branded, to get their products on state, federal and third-party formularies. The feeling is "Give the pharmacists a higher AWP and they will use or substitute the product with the best AWP to receive a higher rate of reimbursement."

Let's face it. . . AWP is a joke, and the folks who run third-party programs are finally recognizing it for what it is, an easy target. I cannot support efforts afoot by segments of the retail pharmacy industry to keep profits made off of phony AWP's by calling them "earned discounts."

The AWP is not an earned discount. It is simply a figure of manufacturers' imaginations. Instead, I encourage pharmacists and their associations to meet with generic and PMA companies to settle on a workable and pure AWP so that every facet of retail pharmacy can play on the same playing field. Let pharmacists "earn" their discounts by receiving an appropriate professional fee instead of trumped-up AWP's.

In any case, the AWP issue may become a moot point once retail pharmacy feels the full impact of the Medicare Catastrophic Drug Act in 1991. According to the law, the AWP is to be determined by the Secretary of Health and Human Services. Once the AWP is in government's hands it will never be the same. It will be scrutinized and uncovered for what it is--a sham. Today's AWP doesn't stand for "Average Wholesale Price" anymore; it really means "Against the Working Pharmacist."

LOAD-DATE: March 27, 2008